

CFPB Seeks Comment on Proposed Changes to Prepaid Rule

Proposal Would Adjust Error Resolution Requirements and Provide More Flexibility for Credit Cards Linked to Digital Wallets

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) announced today that it is seeking comment on proposed updates to its prepaid rule. The CFPB [issued](#) the prepaid rule in 2016, requiring financial institutions to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, give consumers free and easy access to account information, and provide protections if credit is offered. The proposal would adjust requirements for resolving errors on unregistered accounts and provide greater flexibility for credit cards linked to digital wallets.

"We know that effective implementation helps our rules deliver their intended value to consumers," said CFPB Director Richard Cordray. "Today's request for comment shows we are listening closely to feedback on our rules to decide whether certain adjustments will help to achieve that goal."

The CFPB's proposal is available at:

http://files.consumerfinance.gov/f/documents/20170615_cfpb_NPRM_Prepaid-Accounts-Amendments.pdf

Prepaid accounts are among the fastest growing consumer financial products in the United States, usually purchased at retail outlets or online. The amount consumers put on "general purpose reloadable" prepaid cards grew from less than \$1 billion in 2003 to nearly \$65 billion in 2012. The total dollar value loaded onto these prepaid cards is expected to nearly double to \$112 billion by 2018. Prepaid accounts may be loaded with funds by a consumer or by a third party, such as an employer. Consumers generally can use these accounts to make payments, store funds, withdraw cash at ATMs, receive direct deposits, or send money to others.

The CFPB's rule, which was finalized in October 2016, applies specific federal consumer protections to broad swaths of the prepaid market for the first time. The rule requires financial institutions to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, and provide free and easy access to account information. The rule also requires companies to give prepaid consumers new "Know Before You Owe" disclosures with clear, upfront information about fees and other key details. Finally, the rule generally requires companies to offer protections similar to those for credit cards if consumers are allowed to use credit on their accounts to pay for transactions that they lack the money to cover.

Today's proposal seeks public comment on several adjustments to the prepaid rule. This proposal addresses concerns raised by prepaid companies about what they described as unanticipated complexities with certain aspects of the rule that were not fully addressed in their comment letters on the 2014 prepaid proposal. The proposed changes would:

- **Adjust error resolution requirements:** The Bureau is seeking comment and additional details on concerns raised by industry after the prepaid rule was finalized about error resolution on unregistered prepaid accounts. Some companies have claimed fraud concerns could lead them to changes that would have negative outcomes for consumers who do not register their accounts. Accordingly, the Bureau is seeking comment on whether to change the rule's approach to error resolution. Under the proposal, consumers would need to register their accounts to receive full fraud and error protection benefits such as the right to dispute charges and have stolen money restored. The proposal would require companies to provide these protections to registered accounts even if the theft or dispute occurred before registration was successfully completed.

- **Provide more flexibility concerning credit cards linked to digital wallets:** Digital wallets provide consumers with an electronic way to use their debit and credit cards. Some digital wallets are also prepaid accounts because consumers can use them to store and access funds directly. The proposal would ensure that consumers continue to receive full CARD Act protections on their traditional credit card accounts while making it easier for them to link those accounts to their digital wallet prepaid accounts.

The Bureau is also proposing other minor adjustments and clarifications to aspects of the prepaid rule that prepaid companies have asked questions about or told the Bureau are presenting obstacles to implementation. In April 2017, the CFPB delayed the general effective date of the prepaid rule by six months, to April 1, 2018. In this proposal, the CFPB is requesting comment on whether a further delay would be necessary and whether an express provision addressing early compliance is needed.

Along with this proposal, the Bureau is releasing an updated version of its small entity compliance guide for the prepaid rule. That update reflects the recent effective date delay, and also includes clarifications on several other issues for which industry has raised questions or suggested might be unclear.

The revised guide, which includes a summary of the updates, can be found on the Bureau's regulatory implementation website for the prepaid rule at:

<https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/prepaid-rule/>

Comments on the proposal will be due 45 days after the proposal is published in the Federal Register.

More information about the Bureau's prepaid rule is available at www.consumerfinance.gov/prepaid-rule.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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